

ASX ANNOUNCEMENT 29 JANUARY 2024 DECEMBER 2023 QUARTERLY REPORT

DigitalX Limited (ASX:DCC, OTCQB:DGGXF) ("**DigitalX**" or "**the Company**") is pleased to provide an update on its activities for the quarter ended 31 December 2023, along with its Appendix 4C cash flow report.

HIGHLIGHTS

- **Balance sheet appreciation** - the value of digital assets held in treasury and units in the Company's Funds increased by 49.6% in the December quarter.
- **Capital raising** - Share Purchase Plan to raise up to \$2.5 million launched in December.
- **Spot Bitcoin ETF** - Strategic partnership with 3iQ and K2 Asset Management announced to undertake work to launch a spot Bitcoin ETF on the ASX.
- **Fund performance** - The DigitalX Bitcoin Fund rose 47.7% over the quarter and the DigitalX Fund increased 54.9%. This brings the calendar year to date returns of the DXBF to 149.0% and the DXF to 116.1%.
- **Market leadership** - DigitalX's Bitcoin Fund closed out two consecutive quarters ranking as SQM Research's top performing fund for 1 year returns.¹
- **Revenue execution** - Sell My Shares continued its upward revenue trend - quarterly brokerage revenue was \$571k, 7.3% above the previous quarter. Overall, the four new strategic initiatives executed by current management have contributed 40% to Sell My Shares revenue in the quarter up from 29% in the previous quarter.
- **Margin improvement SMS** - The changeover of AFSL provider has allowed for the Sell My Shares specialist online stock broking service to improve its margin by upwards of 10%.
- **Test trade on ASX Synfini platform** - DigitalX executed an ATOMIC trade of the DxART Fund on the ASX Synfini test platform, powered by Canvas, as a means to explore a Web3 sales channel.

1 Source: SQM Research, as at December 2023. <https://sqmresearch.com.au/funds/>

Commenting on the Quarter, DigitalX Chief Executive Officer Lisa Wade said:

"The greenshoots in our industry continued this quarter and DigitalX benefitted accordingly with the valuation of DigitalX assets on our balance sheet increasing by 49.6%. DigitalX is extremely excited that the DigitalX Bitcoin Fund maintained its overall position on SQM as its top performing fund for 1 year returns.¹

Announcing our strategic partnership with 3iQ and K2 was also foundational to the Company's ability to lodge a Bitcoin ETF of our own, to maximise the strength of this track record and our positioning in the Digital assets funds management space. Additionally it provides us with local retail capability and a global distribution opportunity for our DxART and Digital Asset Funds. Subsequent to the end of the Quarter, the Company has now lodged its spot Bitcoin ETF application with the ASX.

We also had another outstanding quarter with Sell My Shares, with revenue exceeding the previous quarter by 7.3% and exceeding revenue of the previous corresponding period by 34%. It is pleasing to see the impact of strategic initiatives by current management contributing to 40% of SMS revenue this quarter, with an 11% increase from 29% in the previous quarter.

We also executed our Web3 quarterly priority of undertaking a test of an "ATOMIC" trade of our DxART Fund on the ASX Synfini test platform as an atomic swap powered by Canvas".

INVESTOR WEBINAR

Please join DigitalX Chief Executive Officer Lisa Wade for the December 2023 Quarterly Webinar on 6 February, 9:00am AEDT.

To register for the webinar and for more information on the December 2023 Quarterly Report, please click [here](#).

Investors can submit questions prior to the webinar via the registration link or by emailing info@digitalx.com.

FINANCIAL REVIEW

DigitalX had cash, listed digital assets and unlisted investments (liquid and illiquid) of AU\$25.2m in value as at 31 December 2023.

Name	Value (\$AUD)
Australian Dollars	\$2,059,960
Bitcoin ¹	\$7,139,813
Fund units ²	\$15,062,970
Other liquid investments ³	\$443,837
Bricklet property investments	\$497,720
Total	AUD\$25,204,300

^{1,3} Total Bitcoin in Treasury at 31 December 2023 was 114.8999 and ETH 128.86680.

² Includes total units in the DigitalX Bitcoin Fund and DigitalX Fund based on their respective NAV's at 31 December 2023.

³ Total excludes amounts for tokens pending listing and/or for which an active market is not observable.

Cash and assets for the quarter increased by approximately \$6.3m. The increase for the quarter was primarily attributable to fund performance compared to last quarter, with a \$5.09m increase and the increase in the value of treasury digital assets increasing by \$2.42m. Cash outflows through operations of \$1.479m was \$84k more than the Sept 2023 quarter.

Gross cash receipts from Sell My Shares and DigitalX Asset Management totalled \$572k, down \$33k from the prior quarter due to timing of cash receipts, while total revenue increased 10% over the quarter to \$669k.

Further detail is contained in the accompanying 4C report for December 2023 Quarter.

Similar to last quarter, in combination with the focus on sustainably growing revenue, the Company continues to work towards a cash flow positive state.

In accordance with ASX Listing Rule 4.7C.3, \$55k was paid to related parties or their associates during the quarter (prior quarter \$71k), including Non-Executive Director remuneration and legal fees paid to Steinepreis Paganin (of which DigitalX Chair Mr Hicks is a Partner).

BUSINESS REVIEW

DIGITAL ASSET FUNDS MANAGEMENT

Anticipation of spot Bitcoin ETF approvals in the US led to a strong period for digital asset prices with the DigitalX Bitcoin Fund ("DXBF") rising 47.7% over the quarter and the DigitalX Fund ("DXF") increasing 54.9%. This brings the calendar year to date returns of the DXBF to 149.0% and the DXF to 116.1%. By comparison, the S&P Cryptocurrency Top 10 Equal Weighted Crypto Index (AUD) rose 123.6%, AUD gold rose 13.2% and the All Ordinaries Index rose 8.4% over the year.

The Company continues to demonstrate its "safe pair of hands" approach to investing in digital assets while developing relationships with strategic partners to expand its suite of investment products. In November, the Company announced its intention to launch a spot Bitcoin ETF on the ASX in partnership with 3iQ (Canadian digital asset manager with 10+ years investment experience) and K2 Asset Management (an ASX-listed diversified financial services firm with \$4 billion in assets under management).

At the end of December, the DigitalX Bitcoin Fund was ranked as the number one performing fund by independent research house SQM Research over a 1 year period. All DigitalX fund assets are secured with an institutional grade custodian with insurance.

Post quarter-end, the US Securities and Exchange Commission (SEC) approved several Bitcoin ETFs pushing the price of Bitcoin briefly up to US\$49,000. Shortly thereafter, on 12 January, DigitalX lodged its own application for a spot Bitcoin ETF with the ASX.

DigitalX Asset Reference Token Fund

Since launching the DxART Fund in June of 2023, the Company has been focusing on securing cornerstone investors, identifying distribution channels and improving the operational efficiency of the investment selection process. Our current property portfolio has received \$7.5k in rental income this quarter.

Discussions with various investment groups and financial institutions have been positive with multiple opportunities evolving. However, as at the end of the quarter there was no new inflows into the DxART Fund. Discussions are ongoing as the Company seeks to appropriately position this Australian-first funds management product that has been established to offer investors exposure to multiple pools of digital tokens backed by different classes of traditional assets.

SELL MY SHARES

Sell My Shares continued its upward revenue trend this quarter. Sell My Shares again exceeded forecast revenue in each month of the quarter, and completed more than 800 trades each month. Quarterly brokerage revenue was \$571k, 7.3% above the previous quarter.

Overall, the four new strategic initiatives executed by current management have contributed 40% to the Sell My Shares revenue.

PRODUCT DEVELOPMENT

Investment Process Automation - DigitalX Playlist

The product team continued work on encoding the portfolio composition component of the investment process, which is called the DigitalX “Playlist”. The team is exploring and prototyping decentralised alternatives to traditional methods of portfolio construction, sourcing and analysis of asset data. The development is being conducted internally and with partners, including the DFCRC. This approach presents opportunities for comparative assessment, synergies, and differentiation across DigitalX product offerings. Feedback will

be obtained from potential institutional and retail users in the coming quarter. It may also provide additional revenue opportunities that are complementary to traditional Funds Under Management models.

Digital Distribution Channels

The product team continues assisting with identifying and prototyping distribution options for the Company's DxART Fund. This is to support scaling customer access for the target customer segments and asset classes selected by the Funds business. During the quarter this included surveys of a leading Australian Digital Asset Exchange's customers, plus due diligence on an offshore distribution platform, which may present more favourable commercial opportunities than purely Australian-based channels. The team also supported the DigitalX Bitcoin ETF product development with project processes and tooling, and by providing key inputs to the product marketing plan.

In late December, a test of an ATOMIC trade of the DxART Fund was executed on the ASX Synfini test platform, powered by Canvas. This is a pathway for exploring a Web3 sales channel for the DxART Fund.

CORPORATE

Treasury

There were no additional changes to the DigitalX treasury holdings over the quarter. The value of the Company's digital asset treasury holdings increased by 46.9% over the three-month period. The increase in value can be attributed to the 57% appreciation in the price of Bitcoin over the quarter. No sales of Bitcoin occurred during the quarter.

Share Purchase Plan

In mid-December 2023, the Company launched a Share Purchase Plan to raise up to \$2.5 million. This activity was supported by a live Q&A session hosted by CEO Lisa Wade, and announcements on the Company's distribution platforms.

The Plan entitled Eligible Shareholders, irrespective of the size of their shareholding in DigitalX, to purchase up to \$30,000 worth of Shares at an issue price of \$0.046 per Share (Price). The Share Purchase Plan was open to applications up to the Closing Date of 25 January 2024, with the results scheduled to be announced on 30 January 2024.

Environment, Social and Governance (ESG)

The ESG Dashboard (provided by ESG technology partner, Socialsuite) provides a snapshot of DigitalX's progress to 31 December 2023. The Company recognises the impact of its activities and is committed to implementing ESG awareness across its activities. The business has a number of assessments to be carried out by SocialSuite over the coming quarter.

Mt Gox

Mt Gox began payments to investors in January and that is expected to roll out. In its September 2023 Quarterly Report, the Company noted that the determination of the Company's Bitcoin summary judgement is still reserved, with no time frame provided by the Court and no subsequent mediation date set. As at the date of this report, there is still no decision on the summary judgement from the Australian Federal Court.

OUTLOOK

The uptick in performance in the digital asset market from the previous quarter is beginning to gain traction. The biggest and most historic shift is the approval of the 11 US-based spot Bitcoin ETF's by the SEC. On the first day of trading, the ETFs saw up to US\$4.6 billion in trading volumes. We believe this to be a huge step forward for digital assets and how they will be viewed globally in the future. The significance of the approval of these ETFs is the recognition of Bitcoin as a viable investment asset, with Bitcoin being the leading light in the application of blockchain technologies and creation of digital assets. Exposing this asset class to a greater investment community has the potential to enable a broader group of investors to understand the potential of digital assets and their foundational technologies.

The team embraced the uptick in positive sentiment with a significant achievement, being the lodging of our Bitcoin ETF with the ASX. The application is currently awaiting review and potential approval. The company will continue to work closely with the ASX and regulators to ensure that we offer the best possible product for investors.

We also expect market volatility in digital assets to rise over this period as the sector matures under the guise of regulated exchange listed products and wider distribution channels.

The Company continues to focus on execution, and on simplifying the business and its message to shareholders.

- Ends-

Authorised by the Board of DigitalX Limited.

For further information, please contact:

Investor Enquiries

DigitalX Limited
Lisa Wade
Chief Executive Officer

E: investors@digitalx.com

Media Enquiries

GRA Partners
Luke Forrestal
Director, Financial Communications
T: +61 411 479 144

E: Luke.forrestal@grapartners.com.au

About DigitalX Limited (ASX:DCC)

DigitalX is a technology and investment company focused on growing the blockchain economy through its digital asset funds management business, digital fintech and regtech products, and blockchain ventures.

DigitalX's product team designs and develops blockchain technology applications for business and enterprise organisations.

Through its asset management division, DigitalX provides low-cost traditional asset management products for qualified investors looking to gain exposure to the growing alternative asset class of digital assets, including Bitcoin.

DigitalX is currently commercialising Drawbridge, the Company's first regtech solution which is supporting listed companies to better manage their compliance and corporate governance policies. With Drawbridge, companies can manage employee and director share trading approvals in order to safeguard their reputations.

www.digitalx.com | www.digitalx.fund | www.opendrawbridge.io | www.sellmyshares.com.au

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

DigitalIX Limited

ABN

59 009 575 035

Quarter ended ("current quarter")

31-December-2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	461	985
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(202)	(375)
(d) leased assets	(94)	(210)
(e) staff costs	(766)	(1,385)
(f) administration and corporate costs	(878)	(1,889)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(1,479)	(2,874)

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	(44)	(168)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	878	2,304
2.3	Cash flows from loans to other entities	34	40
2.4	Dividends received (see note 3)	-	-
2.5	Other (security deposit)	38	38
2.6	Net cash from / (used in) investing activities	906	2,214

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (Applications/Redemptions from Funds)	(661)	(661)
3.10	Net cash from / (used in) financing activities	(661)	(661)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	3,293	3,380
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,479)	(2,874)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	906	2,214

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(661)	(661)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	2,059	2,059

Note 1: The Group holds Bitcoin, listed digital assets and other unlisted investments not included above, which are considered highly liquid and are readily convertible to cash when required.

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	2,059	3,293
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,059	3,293

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	55
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note 2: Amounts paid to related parties includes Non-Executive Director salaries & superannuation, and related party legal & consulting fees.

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	-	-
7.5	Unused financing facilities available at quarter end		-
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

N/A

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(1,479)
8.2	Cash and cash equivalents at quarter end (item 4.6)	2,059
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	2,059
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	1.39
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>		
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer: No material change is expected from the current levels of operating cash flows.		
8.6.2	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer: On 15 December 2023, the company announced the launch of a Share Purchase Plan with the intent of raising \$2.5 million. The company plans to use these funds to continue to support its operations and believes the Share Purchase Plan is likely to be successful.		
8.6.3	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
Answer: It is expected that the company will continue to fund its operations and meet its business objectives on the basis that it has sufficient digital assets on its balance sheet (\$22.64m as at 31 December 2023) to fund operations for >4 years and expects to raise additional capital per 8.6.2 in the Share Purchase Plan.		
<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>		

Compliance statement

- This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- This statement gives a true and fair view of the matters disclosed.

Date: 29 January 2024

Authorised by: the Board of Directors
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.